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INFO EUROPEAN POLITICAL COLLECTIVE  
IRAN COLLECTIVE

S E C R E T SECTION 01 OF 03 STATE 058742

SIPDIS

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TAGS: [FFIN](#) [PARM](#) [PREL](#) [ENRG](#) [IR](#)

SUBJECT: NATIONAL COORDINATED MEASURES MEETING WITH EU4,  
MAY 14, 2009

REF: 08ROME1530

Classified By: ISN Acting A/S C.S.Eliot Kang, for reasons  
1.4 (b) and (d).

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SUMMARY/BACKGROUND  
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¶1. (S/NF) ISN Acting Assistant Secretary C. S. Eliot Kang and Department of Treasury Deputy Assistant Secretary for Terrorist Financing and Financial Crime, Daniel Glaser, met in Paris on May 14, 2009 with officials from France, the United Kingdom, Germany and Italy on the Coordinated National Measures effort. The group last met in Rome in December 2008 (reftel). The group reviewed actions to be taken in four main spheres: finance, insurance, energy, and the export of dual-use items and uranium to Iran, as well as additional actions outside of these categories. All countries agreed on the need to maintain pressure on Iran and agreed to take specific actions in that regard. Regarding a coordinated response to the Financial Action Task Force (FATF)'s call for countermeasures on Iran, all countries agreed to consider a range of potential actions to be implemented, ideally before the June 22-26, 2009 FATF plenary. While no commitments were made, representatives were optimistic that a ban on correspondent banking relationships, the most high impact measure on the table, might be possible if coordinated on a G-7 level.

¶2. (S/NF) The UK, Germany, and France also stressed that they are having difficulty convincing their EU colleagues about the need to maintain pressure on Iran because of questions about the direction of U.S. policy, and urged the U.S. to reinforce its message to the EU that coordinated measures would strengthen its dual-track engagement policy.

¶3. (S/NF) ISN is drafting an Action Plan that will be circulated to all members of the group that identifies tasks for each country and a timeline for completion by the end of July. The core group agreed that outreach members Canada, Australia, the Republic of South Korea and Japan would be included in the next meeting (TBD).

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FINANCE  
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¶4. (S/NF) The group reviewed each country's proposed response to the FATF's February 2009 call for financial

countermeasures on Iran to address the risk of terrorism finance emanating from that jurisdiction. All FATF members will be expected to report on the countermeasures they have enacted at the June 22-26 plenary, but the representatives agreed that the U.S. and the EU-4 need to demonstrate coordinated leadership in implementing strong measures in order to convince others to follow.

¶15. (S/NF) EU4 members are considering implementing, or have implemented, one or more of the following three countermeasures: a) preventing the establishment of new Iranian bank branches and/or subsidiaries in their jurisdiction, b) imposing systematic reporting requirements on all Iranian transactions, and c) ending correspondent banking relationships between Iranian banks and banks within their jurisdictions. The U.S. argued that ending correspondent banking relationships would be consistent with the jurisdictional nature of the threat identified by the FATF, would impose minimal pain on most European banks given that the majority have already ended their relationships with Iranian financial institutions, and would have the greatest potential impact on Iranian banks and their operations in Europe. Such action would send a powerful signal to other countries, such as the UAE, and might convince them to also end correspondent banking relationships, the collective impact of which would be devastating for Iran's banks.

¶16. (S/NF) The UK strongly endorsed action to close

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correspondent banking relationships with Iranian banks so long as the action were taken as a coordinated G-7 measure. France, Italy and Germany are already poised to implement a ban on new operations of Iranian bank branches and subsidiaries in their jurisdictions. There was some discussion of the utility of systematic reporting requirements on all Iran-related transactions, with Italy and the UK expressing strong reservations about whether the potential impact of this action on Iran would outweigh the burden on regulators. All representatives agreed to solicit views from G7 countries and Italy agreed to arrange a conference call within a two-week period to urge adoption of the measure to end correspondent banking relationships. If such action were taken in a G7 context, the U.S.'s likely contribution to this multilateral effort would be to designate Iran as a jurisdiction of primary money laundering concern under Section 311 of the USA PATRIOT ACT.

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INSURANCE  
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¶17. (S/NF) The two UK-based Protection & Indemnity (P&I) Clubs that provide marine insurance to the Islamic Republic of Iran Shipping Lines (IRISL) have refused to cease coverage of IRISL vessels absent a legal obligation to do so. If the UK succeeds with its plan to designate IRISL under its new counterterrorism authority, the P&I Clubs would be obligated to cease providing insurance to IRISL. The UK requested that all members provide it with any information linking IRISL to Iran's nuclear program. ISN/CPI is preparing a paper for the UK on all available information on IRISL's proliferation-related activities. The UK also talked to the International P&I Club and was told informally that the International P&I Club would not provide insurance to IRISL if the current providers of insurance to IRISL cut them off as a result of a UK designation.

¶18. (S/NF) Reinsurance: French reinsurance company SKOR told French authorities that it would continue to provide reinsurance under existing contracts but would not take new contracts with Iran. Of the two German reinsurance companies that provide insurance to Iran, one related to German authorities that it was seriously considering eliminating the Iranian market from its portfolio.

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ENERGY  
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¶9. (S/NF) EU4 members agreed to undertake demarches to Denmark regarding its involvement with Iran's oil and gas sector, particularly pertaining to Danish firm Haldor Topsoe, which supplies catalytic converters to Iran's refinery sector and recently announced a new petrochemical deal with Iran. The U.S. agreed to follow up with Embassy Copenhagen on reactions to two recently delivered demarches on the Iranian activities of Haldor Topsoe. The U.S. also agreed to recirculate to the group a list of hard-to-source LNG technology Iran needs for potential use in a bilateral or joint demarche. Germany noted its desire to include Japan and the Republic of South Korea in the next meeting on this subject, since firms in both jurisdictions continue to engage in oil and gas deals with Iran.

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DUAL USE ITEMS / URANIUM SUPPLY  
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¶10. (S/NF) The group did not have enough time to engage in a substantive discussion on this topic, but ISN intends to recirculate a list of dual-use items Iran needs for its nuclear and missile programs that was originally distributed to the group in December 2008, for potential use in a bilateral or joint demarche. ISN also intends to recirculate the script for approaching uranium producing companies that was originally distributed to the group in December 2008, for potential use in a bilateral or joint demarche.

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EU ACTION STALLED, CLARIFICATION OF U.S. POLICY REQUESTED  
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¶11. (S/NF) The European representatives reported that there remains strong opposition within the EU to moving forward with the sorts of measures discussed during the session. The UK and Germany expressed the view that EU action is particularly hampered by the Europe-wide misconception that U.S. policy is focused solely on engagement, rather than a dual-track approach, so EU members see EU designations as inconsistent with the global effort on Iran. The UK, France, and Germany suggested that it would be helpful if the U.S. could more widely communicate its political strategy across Europe to ensure that EU member states are not allowed to use U.S. engagement with Iran as an excuse for inaction. France also noted that many in Europe are concerned about some of the bills circulating in Congress, and cautioned that such pressure would not be helpful and would "expose divisions" in the multilateral consensus on Iran.

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FOLLOW UP ACTION  
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¶12. (S/NF) The following taskings resulted from the meeting. All demarches are intended to be delivered before the end of July.

ALL

-- Italy would convene conference call with G7 members to discuss implementation of one or more specific countermeasures, with a particular focus on correspondent banking relationships, and would seek support for a G7 communiqu at the upcoming G-7 Finance Ministerial in Italy in June.

U.S.

-- Circulate an assessment of the impact of financial measures on Iran, per a request from Germany.  
-- Touch base with Embassy Copenhagen on any further

reactions from Danish officials to two recently delivered demarches on Haldor Topsoe's activities in Iran and circulate a list of hard-to-source LNG technologies and a list of dual-use items needed by Iran.

-- Recirculate the script for approaching uranium-producing companies and the list of dual-use items Iran needs for its nuclear and missile programs.

-- Provide information to the UK on IRISL's proliferation-related activities in order to help the UK effort to designate IRISL under its terrorism finance authority.

EU4

-- Impose one or more financial countermeasures on Iran before the FATF Plenary in June.

-- Demarche Danish authorities regarding the petrochemical deal.

-- Participate in bilateral or joint demarches on hard-to-source LNG technologies.

-- Provide any available information to the UK on IRISL's ties to Iran's nuclear or missile programs.

UK

-- Draft a paper on violations by Iran of UN Security Council Resolution 1747, using the MV Monchegorsk as an example of IRISL's connection to proliferation.

¶13. (U) The U.S. delegation included from the State Department ISN/CPI Jennifer Chalmers, ISN/RA Risa Mongiello, NEA/IR Rajeev Wadhwani, EEB/TFS Sonata Coulter, and from the Treasury Department Jennifer Fowler and Colleen Stack. Foreign participant list is available upon request to ISN/CPI.

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POINT OF CONTACT  
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¶14. (U) Washington point of contact is Jennifer Chalmers, ISN/CPI, (202) 647-9715, CHALMERSJA@STATE.SGOV.GOV.

¶15. (SBU) ISN Acting A/S Kang and Treasury DAS Glaser cleared this cable.  
CLINTON